

The impact of Special Economic  
Zones in India:  
A case study of Polepally SEZ

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**January 2011**

# Acknowledgements

ILC wishes to thank the following donors, whose support made possible the research under the Commercial Pressures on Land Initiative:

Canadian International Development Agency (CIDA)

European Commission (EC)

Kingdom of the Netherlands – Ministry of Foreign Affairs

International Fund for Agricultural Development (IFAD)

Swiss Agency for Development and Cooperation (SDC)

The views expressed herein can in no way be taken to reflect the official opinion of these donors.



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Swiss Agency for Development  
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ILC would appreciate receiving copies of any publication using this study as a source.

# Foreword

The International Land Coalition (ILC) was established by civil society and multilateral organisations who were convinced that secure access to land and natural resources is central to the ability of women and men to get out of, and stay out of, hunger and poverty.

In 2008, at the same time as the food price crisis pushed the number of hungry over the one billion mark, members of ILC launched a global research project to better understand the implications of the growing wave of international large-scale investments in land. Small-scale producers have always faced competition for the land on which their livelihoods depend. It is evident, however, that changes in demand for food, energy and natural resources, alongside liberalisation of trade regimes, are making the competition for land increasingly global and increasingly unequal.

Starting with a scoping study by ILC member Agter, the Commercial Pressures on Land research project has brought together more than 30 partners, ranging from NGOs in affected regions whose perspectives and voices are closest to most affected land users, to international research institutes whose contribution provides a global analysis on selected key themes. The study process enabled organisations with little previous experience in undertaking such research projects, but with much to contribute, to participate in the global study and have their voices heard. Support to the planning and writing of each study was provided by ILC member CIRAD.

ILC believes that in an era of increasingly globalised land use and governance, it is more important than ever that the voices and interests of all stakeholders – and in particular local land users - are represented in the search for solutions to achieve equitable and secure access to land.

This report is one of the 28 being published as a part of the global study. The full list of studies, and information on other initiatives by ILC relating to Commercial Pressures on Land, is available for download on the International Land Coalition website at [www.landcoalition.org/cplstudies](http://www.landcoalition.org/cplstudies).

I extend my thanks to all organisations that have been a part of this unique research project. We will continue to work for opportunities for these studies, and the diverse perspectives they represent, to contribute to informed decision-making. The implications of choices on how land and natural resources should be used, and for whom, are stark. In an increasingly resource-constrained and polarised world, choices made today on land tenure and ownership will shape the economies, societies and opportunities of tomorrow's generations, and thus need to be carefully considered.

**Madiodio Niasse**

Director, International Land Coalition Secretariat

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# List of abbreviations

APIIC	Andra Pradesh Industrial Infrastructure Corporation Limited
BoA	Board of Approval
CAG	Comptroller and Auditor General
FDI	foreign direct investment
GIP	Green Industrial Park
IMF	International Monetary Fund
MOCI	Ministry of Commerce and Industry
NFE	net foreign exchange
SEZ	Special Economic Zone
SDF	Social Development Foundation

# Summary

Special Economic Zones in India are areas declared as quasi foreign territory in which private enterprises can benefit from a lucrative package of tax and regulatory exemptions. Claimed to promote exports and foreign exchange earnings, they are also criticised as merely encouraging the relocation of existing firms, causing a loss of tax revenue and the undermining of workers' rights. They can also be seen as a policy response to commercial pressure on land, allowing the state to act as an agent for private companies in making prime real estate available to the latter through forced acquisition. They have thus met with nationwide resistance from local communities faced with displacement from their land.

This study provides an overview of the national-level controversy surrounding SEZs, before turning to a detailed account of the acquisition process and impacts of one SEZ in Polepally, Andhra Pradesh. Based on an extensive field survey, this case study reveals how evictions were not based on informed consent, but forced; that they involved an apparently illegal acquisition of lands assigned to marginalised communities under previous land reforms under the false pretext that they were “alienated” from the reform beneficiaries; that the provision of compensation was discriminatory and hampered by corruption; that compensation for land, even at “market value”, was inadequate to far-reaching negative economic impacts and the paucity of alternative employment sources; that the loss of land had further, uncompensated, social impacts on marginalised groups; and that it had further knock-on impacts on food security and health, leaving even to a spate of suicides. The case of Polepally provides lessons for how we approach instances where governments respond to increasing commercial pressures on land resources by acting as agents for commercial and outside interests, by making land available to them through forced acquisition, and not least where the better employment and economic development of local people is the professed aim.





# 1 Introduction

Special Economic Zones (SEZs) can be compared to their predecessors, Free Trade Zones and Export Processing Zones, in that they are aimed at stimulating foreign direct investment (FDI) and rapid, export-led, industrial growth. The essential characteristic of such schemes is that they allow the by-passing of particular social legislation or tax provisions which are perceived to be an impediment to progress or the competitiveness of an export-oriented activity.

A brainchild of the Ministry of Commerce and Industry (MOCI), the SEZ Act that was passed in 2005 goes much further than previous policies as it seeks to establish a large number of private industrial townships, each covering hundreds or thousands of hectares of land. According to the MOCI, as of February 2010, formal approval has been accorded by states to 571 proposals out of which 348 SEZs have been notified. A total of 105 SEZs are already exporting. The 571 approved proposals are for SEZs sponsored by State governments and are in addition to seven Central Government SEZs and 12 State/private sector SEZs that were set up prior to the enactment of SEZ Act, 2005 (MOCI, 2010).<sup>1</sup> These 571 approved SEZs represent a total of 67680 hectares.

SEZs have shown a dramatic rate of growth with total exports of Rs. 996,890 million during the financial year 2008-09, a growth of 50% over the exports for the same period of the previous year. Exports in the first three quarters of the 2009-10 financial year registered a growth rate of about 127% over the corresponding period of the previous financial year (MOCI, 2010).<sup>2</sup>

## The controversy surrounding SEZs

Despite the huge rate of approval and establishment of SEZs, and thus their apparent success, the development of SEZs has faced considerable opposition and is stalling in some cases. This resistance has arisen because of various controversial aspects regarding the establishment of SEZs that will be discussed in more detail in the following section.

At the heart of the problem is the fact that the establishment of an SEZ generally requires the forced acquisition of land and the eviction of its previous users. This is possible for Indian states under the Land Acquisition Act of 1894 for “public purposes”. The invocation of “public purpose” for what are essentially private commercial ventures has been

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<sup>1</sup> Extensive information on SEZs can be found on the Ministry of Commerce and Industry's dedicated SEZ website <http://www.sezindia.nic.in/>, including regular statistical updates (<http://www.sezindia.nic.in/writereaddata/pdf/ListofFormalapprovals.pdf>).

<sup>2</sup> See also <http://blog.propertynice.com/reliance-jamnagar-unit-beats-the-heat-on-sezs/>

repeatedly questioned. In particular, the Comptroller and Auditor General (CAG) of India has investigated SEZs and suggested that far from being in the public interest, the net effect is a strong loss of revenue to the state because of foregone tax revenue.

Resistance to SEZs, however, has been most strong from the communities that are directly affected, and from popular organisations. In state after state, plans for forcible land acquisition have met with concerted opposition from “below”, and in certain cases have been abandoned as a result. At this level, the controversy centres on the grave inadequacy of packages of compensation, resettlement and rehabilitation. While state authorities are required to compensate previous owners for the value of land and dwellings, such compensation, even if paid in full, is woefully inadequate to the loss of land and non-land assets, the loss of livelihood opportunities and the disruption to traditional rural life. Popular resistance to SEZs also contests the whole development model that replaces farming on fertile agricultural land with autonomous, private industrial enclaves that mostly just provide jobs for urban skilled and semi-skilled workers. SEZs are charged with being a sop to corporate, rather than popular interests.

### **The objectives of this report**

The main purpose of this report is to present a case study of one SEZ, the “Formulations SEZ” established in Polepally, Andhra Pradesh. This case study is based both on documentary records and on a detailed survey that was undertaken by the Social Development Foundation (SDF) in the communities affected by the scheme.

The objective of the case study is to provide an in-depth assessment of one SEZ scheme in order to better inform debates about SEZs in India, as well as global debates about comparable processes of forced land acquisition for putative “public purposes” and economic development. The case study will focus on the process of land acquisition, compensation and rehabilitation, before providing a detailed assessment of the far-reaching impacts of the scheme on the local communities.

However, in order to better contextualise the case of Polepally, this report will first turn to examine in more detail the India-wide controversy over SEZs.

## 2 Special Economic Zones in India: Policy and controversy

This section reviews the Indian government policy of promoting export-led growth through the establishment of numerous SEZs, focusing in particular on the incentives provided, the way these schemes are approved, and the legal basis for the forced land acquisition that they generally entail. It then goes on to examine the main areas of controversy that have surrounded SEZs, namely the question of lost revenue, problems of inadequate and discriminatory compensation and rehabilitation, and environmental concerns.

### **The SEZ Act, 2005**

The Special Economic Zone Act was passed by the Indian parliament in 2005 and it became an Act on June 23rd, 2005. The main aim of the SEZ Act is to accelerate the economic growth of the country through increasing export. To attract foreign investment, SEZs provide an extensive range of incentives and tax exemptions for all those who invest in these Zones. SEZs are promoted as eco-friendly zones that will generate huge employment for the 'newly urbanized India'. It is important to understand what exactly government means by SEZ and what are the special features of it.

A Special Economic Zone is a geographical region that has economic laws that are more liberal than a country's prevailing economic laws. In India SEZs are specifically delineated, duty-free enclaves that can be deemed as foreign territory for the purposes of trade operations, duties and tariffs. They can be set up by any private or public, Joint or exclusively State-owned, or even foreign-owned company, anywhere in India. The SEZ Act effectively facilitates the establishment of SEZs "on demand", including from private commercial actors. They thus constitute a mechanism by which any more or less export-oriented industry can, with government assistance, achieve exemption from a large range of tax obligations, wherever they choose to locate in India.

A multi-product SEZ is required to have 1000 hectares while the single product SEZ can be set up in as little 100 hectares. SEZs may thus encompass a single manufacturing plant, or a small cluster of industrial units. While 35% of these areas have to be earmarked for the industrial or processing purposes, the other land can be used for residential purpose, services, institutions, parks, and so on. Only units approved under the SEZ scheme are permitted to be located in the SEZ.

SEZs have hit at the sovereignty of local bodies, as they function as self-governing autonomous bodies. A Development Commissioner, who is appointed by the govern-

## SEZ tax exemptions

A large range of fiscal concessions are in built into the SEZ Act, 2005. They can be summarised as follows:

- Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units
- 100% tax exemption on export income for SEZ units under section 10AA of the income tax for first 5 years and 50% for next five years and 50% of the ploughed back export profit for next five years.
- Exemption from minimum alternate tax under section 115 JB of the Information Technology Act.
- External Commercial borrowings by SEZ units to USD 500 millions in a year without any maturity restriction through recognized banks.
- Exemption from Central Sales Tax
- Exemption from Service Tax
- Single window clearance for Central and State level approvals
- Exemptions from state sales Tax and other levies as extended by the respective state governments.

In addition to these benefits, SEZs can be seen as being subsidized in various direct and indirect ways. In many cases it is claimed that SEZs have been provided with electricity at subsidized rates. They face no restrictions on using ground water, while the State provides or is to lay down proper roads to the nearest city or other important points of infrastructure.<sup>3</sup>

## Approval procedures

State Governments have a very active role to play in the establishment of SEZ units. Any proposal for setting up of SEZ unit in the Private/Joint/State Sector is routed through the concerned State Government which in turn forwards the same to the Department of Commerce with its recommendations for consideration. Before recommending any proposals to the Department of Commerce, Ministry of Commerce & Industry, the State Government checks all the necessary inputs, such as water and electricity, required for the establishment of SEZ unit. The State Government has to forward the proposal with its recommendations within 45 days from the date of receipt of such proposal to the Board of Approval (BoA). The applicant also has the option to submit the proposal directly to the Board of Approval. The Representative of the State Government, who is a member of the Inter-Ministerial Committee on private SEZ, is also consulted while considering the proposal.

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<sup>3</sup> See: [http://www.smeindia.net/export\\_schemes/DOCS/B-1/THE%20SEZ%20ACT.pdf](http://www.smeindia.net/export_schemes/DOCS/B-1/THE%20SEZ%20ACT.pdf) and <http://www.sezindiainvest.com/Benefits.htm>

It is expected that this will trigger a large flow of foreign and domestic investment in SEZs, in infrastructure and productive capacity, leading to the generation of additional economic activity and the creation of employment opportunities. The SEZ Act, 2005 envisages a key role for the State Governments in Export Promotion and creation of related infrastructure. A Single Window SEZ approval mechanism has been provided through a 19 member inter-ministerial SEZ Board of Approval. Interestingly, all the 19 members hail from different ministries and no space for those whose lands are being acquired as well as other stakeholders who are going to be influenced. There is no process of talking to the people first and then taking a decision. There is no process of independent evaluation of environmental concerns as all of the board members are government voices. The process of land acquisition is not only partisan in nature but dictatorial (Government of India, 2005).<sup>4</sup>

## The Land Acquisition Act – the (mis)use of “public purpose”

SEZs can be established on any land, including privately procured or in the open market. However, it has been difficult for companies to procure the large, contiguous areas of land they require, particularly in the areas of their choice with sufficient infrastructure and access to urban areas, as well as attractive prices. Hence the government authorities have taken it upon themselves to behave as “property agent” for the companies. The Land Acquisition Act of 1894 has provided the legal basis for acquiring land for SEZs in particular.

The Land Acquisition Act 1894 was created by the British colonial regime to facilitate the acquisition of land for railways, factories and other “public purposes”. This law has remained almost unchanged to this day. Now the government feels that this law itself is unable to protect its interests and thus it is being amended in parliament. The 1894 Act was framed by the colonial authorities with a view to obtaining land quickly and easily whilst avoiding the need for “excessive” compensation. “Public purpose” was not defined; it this became whatever successive governments wanted it to be.

The post-independence constitution of 1950 did not alter this situation. Article 372 of the constitution allowed colonial laws to remain in force until explicitly repealed. In fact, the Land Acquisition Act was put to extensive use in post independence India as the regime promoted the development of infrastructure and heavy industry, including numerous

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<sup>4</sup> See: <http://www.sezindia.nic.in/writereaddata/pdf/SEZ%20Act%202005.pdf> . This is entire SEZ Act, 2005. Chapter III deals with Board of Approval; chapter IV with “Designated Courts to try to Suits and Notified Offences”.

large dams, mines, power plants and steel works, leading to the massive displacement of poor rural communities.

Public sector and government projects were not the only purposes for which land was forcibly acquired by the state. Even in the Nehruvian period, land was acquired not only for purely public projects but for private industry. In a landmark judgement (*R.L. Aurora vs. State of U.P., 1962*), the Supreme Court held that acquiring land for a textile machinery manufacturer could not be regarded as meeting the conditions of “public purpose”. It further stated that “the Land Acquisition Act did not contemplate that the Government should be made a general agent for companies to acquire lands for them for their private profit”. Unfortunately, the Nehru government responded by amending the law through the Land Acquisition (Amendment) Act 1962 to allow land to be acquired for a private firm “which is engaged in or is taking steps for engaging in any industry or work for a public purpose”. This elaboration, that still fails to define “public purpose” but indicates that private enterprise can be taken to be working towards it, proved sufficiently vague to permit the continued acquisition of land for a variety of private projects.

Further modifications were made during the Indira Gandhi regime: the Land Acquisition (Amendment) Act 1984. This slightly improved compensation requirements, but still failed to clearly and unambiguously define “public purpose”. Instead, “public purpose” was widened to cover “planned development” and the subsequent sale of land to private enterprise.

The Supreme Court of India recently ruled, “if the project taken as a whole is an attempt in the direction of bringing in foreign exchange, generating employment opportunities and securing economic benefits to the state and public at large, it will serve public purpose”. However, in a still more recent judgment (May 2010), the Supreme Court of India severely criticised the misuse of Land Acquisition Act and came out strongly for a pro-people acquisition policy. It has clearly ~~term~~stated that the state must act as a benevolent trustee of people’s land. It asked the government to develop laws favoring those whose land is being acquired.

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"[The Court] said the state should ensure that the farmer who parts with his land gets reasonable compensation promptly at the time of dispossession, so that he can make alternative arrangements for his rehabilitation and survival. Judges pointed out that the poor farmer who loses his land is reluctant to approach courts as he does not want to "incur the wrath of those who have benefited from the wrong action". As a result, land acquirers and authorities supporting them get away with their illegal acquisitions. In case of acquisition for setting up industries or special economic zones, the government should "play not only role of a land acquirer but also the role of a protector of the land-losers". As most agriculturists who lose their lands do not have the expertise or the capacity for a negotiated settlement, the state should act as a benevolent trustee and safeguard their interests, it added." (Bhatnagar, 2010).

## Loss of revenue

The issue of defining "public purpose" in the use of the Land Acquisition Act is particularly pertinent given the controversy that exists over the economic, and specifically fiscal, benefits that SEZs actually bring to the Indian economy and to the public.

SEZs have been championed by the Ministry of commerce, yet the economic sense of the policy has been challenged by such bodies as the Ministry of Finance, the Reserve Bank of India, the Comptroller and Auditor General of India and the International Monetary Fund (IMF) (Vaidyanathan, 2006), as well as by left political parties and popular movements.

At the heart of the matter is the concern that SEZs, for all the scale of the tax exemptions they offer, will not necessarily lead to FDI, export earnings, and general economic activity that would not otherwise have taken place anyway. It has been suggested that the tax exemptions will simply encourage companies to shift production in to the new, tax-exempt zones. As early as 2006, therefore, the Ministry of Finance provided an estimate that SEZs could eventually cost the state up to Rs. 700 billion in lost revenue (Vaidyanathan, 2006).

The Comptroller and Auditor General investigated the loss of revenue because of SEZ schemes and reported to the Indian parliament on 11<sup>th</sup> March 2008. The report stated, "SEZ units have been achieving the prescribed net foreign exchange (NFE) earnings mainly through domestic sales, defeating one of the sub-objectives of the scheme, which was to augment exports" (Indian Realty News, 2008). The duty foregone during 2006-07 was estimated to be Rs. 21.46 billion.



# Inadequate compensation and rehabilitation

Since independence, India has pursued a policy of industrial development and set up large industries or industrial estates and projects like mines, dams, ports, and expansion of the road and rail network. Each one of them has displaced people in large numbers. There has also been the experience of setting up Export Zones and Electronic Zones. In most of the cases, the displaced people have found little new employment in these projects while the educated elite, the 5 per cent of the workforce in the organized sectors, have benefited substantially. The experience of Ranchi or Haridwar or the Steel Plants at Bokaro and Bhilai, has been that the neighbouring areas have remained largely backward.

SEZs fit into this pattern. The compensation required under the Land Acquisition Act focuses entirely on the market value of the land asset. It assumes that land is the only thing that is lost and that formal landowners are the only ones to lose. Rehabilitation policy implicitly assumes the existence of homogeneous labour, which can migrate anywhere to get work. That is not true for the agriculturists. For them it is an interdependent life and kinship is crucial. This displacement is very painful since it breaks the family and neighbourhood bonds that are not easy to establish in a new setting. The bonds may be between the labourer and the farmer or the farmer and the carpenter or the blacksmith, and so on.

From past experiences of displacement it is clear that the rehabilitation of farmers, as it is done now, does not work. It is not that those displaced did not receive any compensation at all. However, most of them did not know the modern institutions and practices. They did not know what to do with the compensation received. Often money was blown up in drinks and conspicuous consumption.

Another important point is that the landless who will not receive any compensation and those performing non-farm activities like the potters, herdsman, carpenters, and so on, who are traditionally integrated into the farm economy, are left without any redress for the severe disruption to their livelihoods that they face. In fact, the ones worst affected will be the share-croppers and labourers, the petty traders and service providers. These landless people do not even have a legal basis for compensation.

Another key criticism of forced land acquisition is that it often discriminates against the most vulnerable sections of society, particularly scheduled castes and tribal peoples. As in the case of Polepally, the small land holdings of these vulnerable groups may be targeted because such people are least likely to be able to resist the process and because many are previous land reform beneficiaries whose land it may be possible (as in Polepally) to acquire for a fixed rate of compensation that may be well below the local market rates for comparable land. Vulnerable groups are also the most likely to suffer from malpractice in the distribution of compensation or other rehabilitation benefits.

In recognition of the inadequacy of the current situation, the Rehabilitation and Resettlement Bill, 2007 has been proposed (Government of India, 2007). The following are the rehabilitation and resettlement benefits proposed under the bill:

1. Allotment of agricultural land.
2. Financial assistance related to loss of cattle sheds.
3. Transportation cost.
4. Employment and Skill Development Opportunities.
5. Options for allotment of shares of the companies placed in the SEZ areas.
6. Substance Allowances.
7. Option for lump sum payment in lieu of benefits given.
8. Special provisions for the rehabilitation of the members of the Schedule Castes and Scheduled Tribes.
9. Housing Benefits

Unfortunately the Bill has not yet been passed. It can therefore be said that there is no current functional statutory provision for rehabilitation and resettlement of the SEZ displaced.

## Environmental concerns

The SEZ Act 2005 does not require “Environmental Impact Assessment” as part of the application for new units. This is because SEZs are only permitted to contain “non-polluting” industries and facilities. The companies do not require any public hearing where affected communities can interact with the companies and share their concern. Enormous power has been given to Development Commissioners for granting environmental clearance for SEZs. They are able to bypass the State Pollution Control Boards as they work directly under government control. There is no space for filing any petition if the people are affected. Moreover, state governments have also created complementary conditions for SEZs in coastal Zones also by developing new Coastal Regulation Zone Act.

One particular area of concern in relation to SEZs is the extra water demands these will and are placing on already strained and contested water resources. To mention two examples, on the POSCO SEZ, the water requirement, as given on the POSCO Steel website, is 286 million litres per day. This will be procured from Jobra barrage on Mahanadi River in Cuttack district in Orissa, and ultimately from the upstream Hirakud dam. There is already agitation against reservation of water from Hirakud dam for industrial use. Another case is Mangalore SEZ. In a letter in June 2006 to the Prime Minister Manmohan Singh, the convener of the SEZ Impact Assessment Committee, an affiliate of the NGO Forum of Mangalore, quoted the Mangalore SEZ Limited as having estimated the water need at 136 million litres of water a day. This is despite the fact Mangalore city is facing water crisis even without the SEZ. Therefore, SEZs do not only

take scarce fertile farmland out of production, but may also take scarce water resources away from competing uses.

## Nationwide resistance to SEZs

There has been resistance to SEZs all over India - Mansa district in Punjab, Jhajjar in Haryana, Kakinada in Andhra Pradesh, Nandagudi in Karnataka, Baikampady in Mangalore, Nandigram in West Bengal, Raigad in Maharashtra, just to name a few.

A timeline of popular resistance to SEZs would begin in 2007 with Nandigram, where the West Bengal government's attempt to hand over fertile cultivated land to Indonesia's Salem group was ultimately thwarted. On March 14<sup>th</sup>, 2007, over 2000 villagers including women and children in the front tried to stop the police from entering the village. Police fired brutally killing nearly 14 people. The scale of the action left the state stunned. This movement against land acquisition was being led by All India Trinamool Congress which felt that the estimated deaths were not less than 50.

The disturbances in Nandigram were followed by similar protests and clashes in Singur where the state government acquired 997 acres for Tata Motors for the production of the Nano car. The project faced massive opposition from displaced landless agricultural workers as well as farmers. Eventually, the High Court of Kolkata declared the way the State of Bengal had used the Land Acquisition Act was illegal (Business Standard, 2007), and Tata Motors decided to withdraw from the project (The Financial Express, 2008). Nonetheless, the land is still in the hands of the company and has not yet been returned to its former owners.

Popular resistance has helped to contribute to the stalling of SEZ projects in a number of locations as some state governments, such as Goa's have become sceptical of the net benefits to be achieved. The Nandigram events prompted the formation of an Empowered Group of Ministers in 2001 to review the policy, and a moratorium on further approvals while the review was taking place (Panos South Asia-Kalpavriksh, 2008).

# 3 Polepally SEZ: Introduction to the case study

Polepally is situated on National Highway 7, about 96 km from Hyderabad, in Andhra Pradesh state. Along with the neighbouring village of Mudireddipally and the tribal hamlet of Gundlagadda Thanda, Polepally is the site of an SEZ project covering over 1000 acres.

Original plans for the site in 2002 concerned a “Growth Centre” designed to promote industrialisation in this rural area. In 2004, the project was renamed a “Green Industrial Park” and compulsory land acquisition began at pace under the Land Acquisition Act (Indian Realty News, 2008). The communities of Polepally and the neighbouring settlements Gundlagadda Thanda and Mudireddipally eventually lost 693, 300 and 150 acres respectively. In Polepally alone, 339 families lost land. In 2005, the Formulations SEZ was established and the land was allocated to a series of pharmaceutical firms engaged principally in the bulk manufacture of pharmaceutical products.

This study is the first of its kind in providing an empirical and quantitative assessment of the processes of land acquisition compensation and rehabilitation in Polepally, and of the impacts of the Formulations SEZ on both the directly affected land users and the wider communities.

As a case study of a not un-typical SEZ, it is hoped that this study will help to highlight some of the real failures of compulsory land acquisitions for SEZs and other comparable developments such as mining in the Indian context.

# Methodology of the survey

The case study is based on a survey of 370 households that was carried out by SDF in close collaboration with the local community members. Interviews were completed by a consultant acting under the guidance of SDF and a prominent academic and member of the solidarity committee against Polepally SEZ. The survey was conducted between February and April 2010. Alongside the quantitative research, extensive personal histories were recorded. The sample of households was made to reflect both those that lost land and those that lost no land, but might otherwise have been indirectly affected (see below).

## Description of the survey sample

The sample for the study covered all three habitations of the affected area: Polepally village, Gundlagadda Thanda a Lambada tribal hamlet, and Mudireddipally village. Polepally and Gundlagadda Thanda are most affected compared to Mudireddipally. Respondents from Polepally (83.2%) and Gundlagadda Thanda (6.8%) together constitute 90% of the total sample (see Table 1).

**Table 1: Distribution of respondents by habitation**

Habitation	Respondents	%
Gundlagadda Thanda	25	7
Mudireddipally	37	10
Polepally	308	83
Total	370	100

Around two thirds (69.5%) of the respondents were males. Where the male head of the family was not available during the survey, the spouse was interviewed. Otherwise, female respondents were female family heads.

### Land ownership by respondents

The sample included both households who have lost (some or all) land to the SEZ project and those who did not. Among those who did not lose land there are also households who were landless from the beginning (Table 2).

**Table 2: Distribution of respondents in relation to land ownership and loss**

Status of land	Respondents	%
Previous landowner that lost land to to SEZ (land loser)	208	56.22
Landowner with no loss to SEZ	150	40.54
Landless (from before SEZ)	12	3.24
Total	370	100

### Social composition and education of respondents

The three habitations affected by the SEZ have diverse social composition. Polepally has a large number of Backward Castes (lower caste groups), Scheduled Castes (Dalit or “untouchables”) and Muslims, as well as some Schedules Tribes (Erukalas) and Upper Castes. Mudireddipally has predominantly Backward Castes and a few Scheduled Castes, while Gundlagadda Thanda has exclusively Lambada Schedules Tribe households. Backward Castes are numerically the predominant group in the study area. The distribution of respondents by caste is given in Table 3.

**Table 3: Distribution of respondents by caste**

Caste	Respondents	%
Backward Castes	191	52
Scheduled Castes	111	30
Schedules Tribes	30	8
Upper Castes	24	6
Muslim	14	4
Total	370	100

Most of the respondents from the SEZ affected area had no literacy or schooling. 54% of survey respondents were illiterate and without formal schooling. Respondents with education were predominantly from the households that did not lose any land to the SEZ. There are few educated persons from the land-losers and landless households, and almost none from the Scheduled Caste and Lambada communities.

# 4 Eviction, compensation and rehabilitation

## Irregularities in the establishment of the SEZ

The process that led to the establishment of the Polepally SEZ was examined by the office of the Comptroller and Auditor General of India (CAG) in an extensive audit of the activities of parastatal bodies such as the Andra Pradesh Industrial Infrastructure Corporation Limited (APIIC) in 2007 (CAG, 2007). This report is useful in providing both an overview of the process leading to the SEZ establishment, and illustrating the underhand way in which the APIIC acted, both towards the Indian taxpayer and the affected communities. Paragraph 2.1.19 (CAG, 2007, p.33) states:

“Union Ministry of Industries sanctioned (September, 2003) a growth center at Jedcherla, Mahaboob Nagar District for Rs. 30.05 crore. The Company [APIIC] acquired (June 2003 to January 2006) 954.22 acres of land at a cost of Rs. 7.11 crore against receipt of Rs. 6.45 crore from Gol, Rs. 45 lakh from State Government and Rs. 21 lakh was spent from the Company’s own funds. The Company instead of establishing the growth center started (July 2005) development of the Green Industrial Park (GIP) comprising of various Special Economic Zones (SEZs) by marking 835.24 out of 954.22 acres acquired for establishment of a growth center. The balance land of 118.98 acres valuing Rs. 88.66 lakh was lying idle. It was observed that the Company did not have any plans for utilization of this land. Out of the 835.24 acres earmarked for the GIP the Company got approval (October, 2005) for setting up of Formulation SEZ from Union Ministry of Commerce, in an area of 250 acres.”

In other words, according to the CAG, the APIIC used a government grant for other than its intended purpose and thereby broke government guidelines:

“...the establishment of the GIP in lieu of growth center was a deviation from Gol guidelines since the Gol grants were meant for a growth center but not for setting up various SEZs. In view of this deviation, utilization of the grant for establishment of the GIP was not in order. The grant of Rs. 6.15 crore received from Gol thus requires to be regularized/refunded. Government stated (October 2007) that there is no deviation from the

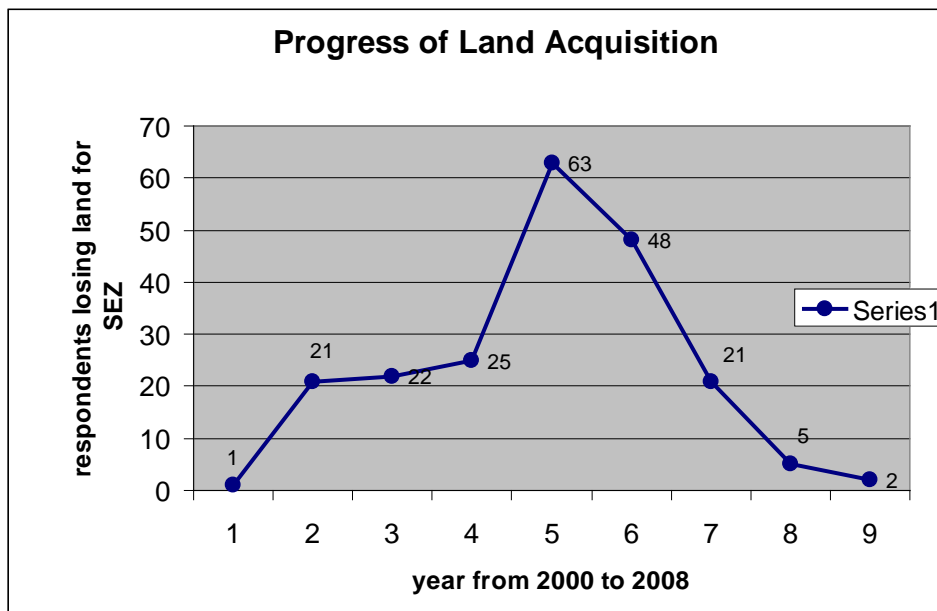
guidelines... The reply is not correct as the growth centre is meant for promotion of industrialization in backward areas by allotting land to small and medium scale units. Gol also provides subsidy or grant to establish growth centers whereas SEZs are specially delineated enclaves treated as foreign territory for the purpose of industrial service and trade operations."

The shift from a "growth centre" to a "Green Industrial Park" which then turned out to be a a grouping of SEZs occupied by pharmaceutical companies, was not only legally questionable but undermines any claim of APIIC to have achieved prior informed consent. As detailed below, in as far as land owners and users were meaningfully consulted at all, they were told the project would be for a growth centre or a "Green Park" (which many were given to understand to be something agricultural) in which they would have future employment. The eventual construction of Pharmaceutical production units, which can give affected families no more than transient employment in the construction phase, has been a betrayal of promises.

## The eviction process

Land acquisition for the Polepally SEZ started in 2001 and peaked in 2005. The momentum and intensity of land acquisition gathered with the change of government from Telugu Desam Party to Congress Party under the leadership of Dr Y S Rajashekara Reddy in May 2004. Figure 1 shows the trend of the land acquisition process from 2001 onwards.

**Figure 1: The progress of land acquisition in Polepally**





The land acquisition had a disproportionate effect on vulnerable communities. Land losers and landless households are primarily scheduled castes, Muslims and backward castes, while the non-losers tend to be from open and backward castes.

Around 1150 acres were acquired for the SEZ from the three villages, Polepally, Gundlagadda Thanda and Mudireddipally. While farming households in Gundlagadda Thanda and Mudireddipally lost an estimated 300 and 150 acres respectively, documents made available to SDF from the offices of the local revenue officer reveal that in Polepally a total of 693 acres were acquired from 339 families. Of these, 160 families lost land that was allocated to them under the previous land reform programme of the government. Such lands are known as “assigned lands”. Under government rules, such land reform beneficiaries receive only token compensation (that is not even claimed to be the market price for the land in question) as the land is considered still to be owned by the government. The great majority of those who lost “assigned land” were from Scheduled Castes, Scheduled Tribes and Backward communities. The remaining 179 land-loser families lost “acquired land” (otherwise known as *patta* land) for which they held formal title. The caste background of these families is unclear, but they were mostly small and marginalised farmers. These families received compensation related (according to the governments estimations) to market value. The land acquired from different groups is detailed in Table 4.

**Table 4: Land acquisition statistics for Polepally SEZ**

Type of land (legal status)	Area acquired (acres)	Land-loser households (all groups)	Scheduled Castes	Scheduled Tribes	Backward Castes	Upper Castes
Acquired Land ( <i>Patta</i> Land)	420.25	179				
Assigned Land	260.09	160	98	25	26	11
Unassigned Land	12.14	-	-	-	-	-
<b>Total</b>	<b>693.08</b>	<b>339</b>				

It seems evident that the authorities targeted those who belonged to vulnerable communities, probably for two main reasons. Firstly, to minimize any strong resistance to land acquisition, and secondly reduce compensation costs as the majority of the land losers had “assigned lands”, as beneficiaries of previous land reform programmes, and received lower compensation (as detailed in the following section).

The acquisition of “assigned lands” is even legally questionable. As one commentator has noted,

"The question is, how could the State first redistribute land to the landless under a full-fledged legislation and then take away the same land from the grantees? According to K Balagopal, lawyer and founder member of the AP Human Rights Forum, transfers of land assigned to the poor are actually illegal under the Act 9. But, in December 2006, the Congress-led government brought in a controversial amendment that allowed it to reclaim land that had been 'alienated' (when land assigned has been sold off or is no longer being used) for 'public purposes'." (Asher, 2008).

However, according to the residents of the affected villages, the land was far from being "alienated". It was being cultivated by the original beneficiary families.

The procedures followed by the authorities were also highly questionable in many regards, particularly in terms of failures to implement proper notification and consultation and to achieve prior informed consent. There is no record of *Gram Sabha* (village assembly) procedures having been followed.

To give one example of how procedures were followed on paper by not in practice, the government needs to publish well in advance the process of acquisition and notice to the people. The collector's office approved denotification of the lands under sections 4(1) LA act through programme no GI/64/2003 dated 17.01.2003 and finally it was published in A Gazette Part-1 Extraordinary MBNR No 1 on 18<sup>th</sup> January 2003. Interestingly, the authorities claim that this notice has been published in two daily newspapers called, *Vaaritha* and *Pledge* on January 29<sup>th</sup>, 2003. It is well known fact that nobody knows a daily like *Pledge* in Andhra Pradesh. Even if it exists on paper, there is no use of publishing a notice in it when those affected are illiterate. *Vaaritha* itself is not the most well-known paper of the town.

According to the government documents made available to SDF, "notices u/sec 9(1), 9(3) and 10 of LA Act has been issued and published in the village on 29.11.2004 and was also served to the *Pattedars* [land title holders]. The award inquiry conducted on 27.12.2004 and concluded on 25.01.2005 and the statement of the people have recorded and kept in office file and no objection received from any other persons and *pattedars*." The documents further state that, "Meetings/*Gram Sabhas* have been convened to explain the land acquisition process and to convince the *pattedars* about the benefits involved to receive the compensation on consent basis."

This official account is completely contradicted by the testimony of the affected people who speak rather of intimidation and misinformation about the nature of the proposed development. In the survey, respondents who lost land were asked if they were consulted on the decision to acquire their land for the SEZ and also on whether they "had any choice in the matter" relating to the land acquisition. All 208 responded negatively to both questions. In fact, all affected families were effectively merely informed that the acquisition would take place and that they had no choice.

Respondents claimed that evictions were carried out in a coercive manner with little consideration of the negative impacts on the affected. It is claimed that in some cases, trees were felled and crops destroyed so that the villagers would provide less resistance to the land acquisition. More than half the respondents (55 %) stated that they were given no notice of eviction but had to leave immediately; 37 % of the respondents stated that they were given one to three weeks notice to vacate the lands.

### **Box 1: The case of Lakshamma**

Lakshamma, 40, and a mother of 4 children, belongs to *Budaga jangam* caste, a sub caste of the local dalit community. Her Husband works as an agricultural labourer. The tradition of this caste is singing folk and spiritual songs. They go to villages, house to house, and sing the songs in return for alms. Even though they belong to one of the most marginalized among the Scheduled Castes, they owned a half acre of land in Polepally. It was what they most valued, even though not their main source of livelihood.

One day Lakshamma received the heart-breaking news that their land is going to be occupied by the government. She got worried and enquired about it. They were told that they are “going to make a green farming house and every one will get job in the farm house”. Though they were reluctant to agree to that project, they thought that at least they will be provided a job in their village in the green farm. However, soon Lakshamma and other farmers realised that there was nothing green about the project. Lakshamma was really shocked with the simple feeling of losing the little she had and decided to resist it. Since then, she started participating actively in every *Dharana*: protest sittings, marches and rallies.

Wherever they went for their livelihood, they always came back to village and felt happy when they saw their land and worked on it. They are not really concerned with how much it produces; the collateral value of the land is enormous in the village where owning it brings a sense of honour and dignity. The impact of losing the land is immense socially. Their relatives do not want to talk to them feeling them to be a burden and people without dignity. During the protests, they were able to meet many people who are working on these issues. Meeting officials, questioning them, and getting solidarity from others gave them strength to fight. But at the same time it brought harassment from police.

Lakshamma, contested for the Lower House of Parliament in the 2009 General Elections, along with other protesting farmers. It was an empowering experience. She said that during the entire election campaigning, process, she got the support of her community. She got 9811 votes, the highest among the women contestants. Her community has now developed a higher opinion about her.

She states: “We are witnessing this cruelty in front of our eyes. The green land is now

converted to concrete jungle. These wide roads and long fencing are giving me pain. I always remember those beautiful days of working in the fields with my friends and relatives, throwing jokes to one another. All the castes used to come and they all used to take lunch under big mango trees. Now they do not see any more trees as all of them are chopped down.” She feels that all this is being done because she hails from Telengana region, which has minerals and natural resources. She hopes, if Telangana becomes a separate state, “all these Andhra factories will go and we will get our land back perhaps”.

## Compensation and rehabilitation

There seems to have been no clearly stated rehabilitation and resettlement policy. Instead, early statements of policy seemed to have been full of rosy promises with a view to attaining the consent of villagers. Respondents described how they were told initially that their lands would be acquired for a “Green Park”, from which they would be able to continue to earn a living. Local authorities and politicians described the “Green Park” as a farm-based activity in the SEZ which would not snatch away their land-based livelihoods. Although they would have to fore go ownership of the land, they would be allowed to work as wage labourers in orchards or a farm research station that the proposed SEZ was supposed to represent. They said that they were also told that a housing colony would be constructed, and that the acquisition of land would commence only after relocation of the affected families to the new colony. They were promised fair compensation for their lands.

In reality, the rehabilitation policy adopted in Polepally SEZ was ad-hoc and evolved gradually in response to the resistance and pressures of opposition parties criticizing the state policy. It has four stated components:

- Compensation for the lands acquired.
- Housing colony for the affected households.
- Jobs for the eligible members from the affected families.
- Village development fund for infrastructure building.

### Compensation

Compensation has been for the loss of land, not for the loss of livelihoods. Families have thus been viewed as “affected” only in relation to land. This excludes the landless and also those families which derive livelihoods from the jajmani system. It also excluded those who are making a living by offering services to the affected families- like those who earn a living by running a grocery or some other shop which has now reduced incomes.

Compensation for lands acquired was not based on the value of the incomes accrued from the lands but on the legal status of the lands. A large proportion of the acquired land was classed as *gairan* or “assigned land”, having been redistributed to land-poor households among the scheduled castes and scheduled tribes under the land reform policy. These assigned lands, irrespective of the quality of the soil, the crops cultivated, or the infrastructure in place such as irrigation equipment, were priced uniformly at Rs. 18,000 per acre.

The remaining land was under regular formal ownership and is referred to as “patta lands”. These lands were valued according to use and proximity to the national highway. Compensation thus varied from Rs. 50,000 to Rs. 180,000 per acre. These lands mainly belonged to backward castes from Polepally and Mudireddypally villages. Both assigned lands and patta lands form one contiguous block from the National highway to the village.

Lands belonging to upper castes, orchards, and a temple in the Polepally village were exempted from land acquisition. The selection of land was criticized by respondents for being discriminatory on caste lines. Similarly, the compensation package is criticized for favouring non-dalits and non-tribals, and for paying least to those most in need.

Of those who lost land, 31% received less than Rs. 50,000 compensation in total, and a further 29% received between Rs. 50,000 and Rs. 100,000. 32% received over Rs. 100,000 with seven landowners (3.4%) receiving more than Rs. 1 million. A small section of land losers (7.69 %) claimed not to have received any amount yet or to have been rejected for any compensation.

Compensation amounts received by the affected families have been small and in installments. Besides, there are complaints of corruption by local authorities and politicians, specifically that they withheld up to half the compensation amounts for assigned lands. Compensation for lost Patta lands was also allegedly subject to varying rates of cuts by local officials.

## **Resettlement**

Despite the eviction process going ahead, peaking in 2004 and 2005, the promised housing colony has not yet been constructed. As of April 11, 2010, an area of 26.83 acres had been demarcated with a plot of 200 sq yards plot for each house site. The roads had been laid but no construction had taken place. One respondent raised critical objections to the housing colony plans, in particular that the land selected is too low-lying and unsuitable for housing and that the land will remain in the names of the company, preventing families from mortgaging or selling it.

The delayed progress of the housing colony has forced some of the affected families to repair existing houses, while some households have invested in the construction of a new house in the village outside of the SEZ area. Expenditure on housing needs by the affected families is an additional burden that could have been avoided if the housing

scheme had been constructed on time and as promised. This expenditure is a big drain on the already impoverished families.

### **Provision of alternative employment**

With the exception of two respondents, no members of the affected families have been provided with any vocational training so that they could be engaged in the SEZ on a regular and on-going basis. Many members of these families did work as daily wage labourers during the construction of the pharmaceutical units. However, respondents stated that after the granite compound walls were constructed, men from affected families were refused further entry into the pharma units. Some of their women get daily wage work as gardeners or sweepers or as janitors. They are paid Rs 100 per day. According to several respondents, if they are absent for a day for attending any domestic work or fall sick, they have to face rude comments and also lose the chance of getting the work for the next few days. Six male members from the affected families are employed in semi-skilled jobs on a regular basis. They are from Reddy and Goud castes (Upper Caste and Backward Caste, respectively). One of the respondents stated, "There was work as construction labour in beginning. Why did we rush to complete that work? We regret it now. We didn't know that we would be homeless once we built the nest."

### **Village development fund**

Promises of a village development fund have so far been only on paper. The amount has not yet been released to the Polepally Gram Panchayat. The village development fund is meant to be used to improve drinking water facilities, for renovation of the village temples in Polepally and Mudireddipally, and for the laying of roads. A total amount of Rs. 12.8 million was promised for village development.

# The utilisation of compensation amounts

For landowners with little land, or for the Lambadas and dalits with assigned lands, the compensation amounts were so small as to make productive utilization difficult. Those who had patta lands and received more compensation could often make use of it for productive purposes. However, even those who were able to invest in buying a house site, building a house, or purchasing farmland, were subjected to a severe loss. This was because land values in the village after the SEZ were far higher than the value officials paid to land losers.

According to respondents, compensation payments were used in five main ways:

- Asset purchase
- Honoring social obligations before situation becomes worse; marriage of a daughter or son
- Clearance of loans and debts
- Health needs & medicare
- Daily needs of running the house

Around one third of the land loser respondents (30%) utilized compensation payments to clear loans which the families had since some time or had incurred due to prolonged unemployment following the loss of land. Families that had become totally landless after land acquisition under the SEZ found themselves under greater pressures from money lenders than those who had a piece of land outside the SEZ area.

Housing was another area of immediate need, with 15% of land loser respondents mentioning this as the predominant use of compensation. Purchasing land was mentioned as the primary destination of compensation for only 9% of those who lost land. A much greater proportion of compensation (21%) went to cover various forms of consumption such as daily needs, medical care and marriage costs. The remaining respondents mentioned a range of other uses, or were unable to name one use as the predominant one.

The use of compensation by respondents is illustrative of the economic distressed situations of affected households. They were able to invest little productively for the future but found themselves forced to settle debts or to cover ongoing expenses in a situation of unemployment. Families suffering the death of the head of the family were under high pressure to perform the marriage of the grown up daughters. Health disorders were also common among the affected population and were severe in some cases, requiring hospitalization and regular treatment of the problem which the affected households could ill afford. Overall, the study reveals compensation amounts that were so low that they could not arrest severe immiseration among the affected households.

# 5 Impacts

The forced acquisition of land for the Polepally SEZ had impacts not only among those households that lost land, but also among the wider community. Impacts also went beyond the mere loss of land area, with the local economy being affected various ways. Impacts, furthermore, were not only economic, but also social and environmental, and with knock-on effects on food security and overall health.

## Economic impacts

Losing land to the SEZ project has significantly reduced the farmland in the affected villages and also brought with it severe pressures on employment, livelihoods and food security for the villagers. While some of the land losers have become farmers with smaller land holdings many have become landless. The conversion of farmland for non-farm uses has also reduced farm labour opportunities for the people who had no non-farm skills. The SEZ has caused fragmentation of land holding in the villages as the land losers have been forced to buy small pieces of land from neighbours. It forced change in favour of occupational shifts, indebtedness, and migration. The inability of some to adapt has apparently lead to increases in ill health and deaths, including suicides.

Those who lost land have adopted different approaches to ensure food security and survival depending on their assets, family size and community support. Some have purchased small a few acres from other castes in the village if they had some money or were able to raise loans. Some Lambada households have been able to buy some plot of land from the villagers so that basic survival is not threatened. They bought land at prices far higher than the amount they received for the land acquired for the SEZ. Some of the Lambada families are cultivating land belonging to Polepally on sharing basis where the landowner and the cultivator get equal share in the yield. Several families have one or more members of the family forced to migrate to engage in unskilled jobs in the towns and cities.

The years since the land acquisition have seen several new changes as well as the intensification of changes already under-way prior to the SEZ. Life in the affected villages has been altered radically. The vulnerable sections of the communities have been subjected to rapid marginalization, making life miserable for many. The SEZ dispossessed the affected households both directly and indirectly. While land resources were directly taken away for the SEZ, families saw other assets that remained in their possession, like cattle and farm implements, lose all their value. The following sections detail the extent of these varied economic impacts.



## Loss of farmland

The SEZ has caused landlessness among a large section of the households in the affected villages, especially in Polepally and Gundlagadda Thanda. Of 370 respondents, 358 were farmers before the SEZ. By 2010 this quota had fallen to 192. Land holdings have also become smaller due to SEZ land acquisition. The reduced size of many land holdings has made farming less cost effective. The drastic reduction in the local availability of farmland is also reflected in the decline of leasing. Tenant farmers in the sample have fallen from 9 to 6%.

## Loss of wells and bore wells

Land acquisition also meant losing wells and bore wells in the lands acquired. Part of the land lost to SEZ was irrigated using wells. Forty six respondents had 55 wells altogether which had assured irrigation. The land irrigated under wells was 97 acres. In total, thirty nine respondents lost wells in the lands taken over by the SEZ (Table 5).

**Table 5: Loss of wells**

Number of wells owned	Before SEZ		After SEZ	
	Respondents	%	Respondents	%
1	40	11	5	1.35
2	4	1	1	0.27
3	1	0.27	1	0.27
4	1	0.27	0	0

A larger number of respondents lost bore wells. There were 216 bore wells owned by 188 respondents before SEZ. Each bore well costs about Rs. 60,000 to Rs. 90,000 for varying depths towards drilling, casing, and the motor. Besides, one has to try more than once to strike water. Thus the cost of a functional bore well can be estimated at around Rs. 100,000. Despite heavy costs and risks of failing the farmers try several times because it assures one crop at least and also helps achieve three crops if the water yield is good. Altogether 42 respondents have lost 53 bore wells due to the SEZ. Of them, 32 had one bore well each followed by nine who had two bore wells each.

## Loss of cattle sheds

Twenty five respondents stated that they have lost their cattle sheds with the wooden shelter for the person who looks after the cattle and also structures to store fodder.

## Loss of livestock

Livestock is an important source of livelihood for the villagers. The loss of lands by hundreds of farmers has made it difficult to continue keeping livestock as there was shortage of fodder, a loss of suitable places for cattle sheds, and loss of purpose to keep draft animals (for an overview of livestock losses, see Table 6). While two thirds (66%) of all respondents owned cows before SEZ, this has been reduced to one-fifth (21%) of the respondents. The respondents were forced to dispose of the cows for distressed prices. Scarcity of fodder, loss of land and pressures of money lenders to clear the loans were major reasons for selling the cattle. Some had to sell the cows to meet household needs, or construction of a house. Two respondents informed of cows dying due to drinking polluted water.

A similar picture is revealed as regards other livestock. Goats and sheep are vital to the households who rear them in large numbers. Golla and Kurma castes are traditional goat and sheep rearers. Several others also rear goats and sheep as they are great source of revenue and provide good returns in the short term. Land displacement has also severely affected goat and sheep rearing. The number of respondents rearing goats has declined from 72 respondents to 27, while sheep rearing families have declined from 67 to 23. A major decline is seen among respondents with 1 to 25 sheep for whom it is supplementary source of income. They seem to be more hard pressed to look after sheep than those with larger stock where it is the primary occupation.

The number of respondents owning oxen has fallen from 61% to 30%, while the number of respondents owning buffaloes has fallen from 28 to 6.

Keeping livestock has become impractical for many due to severe shortage of fodder and loss of grazing lands. Polluted water also is reported to have taken toll of a few cattle, goats and sheep. The pressure for one or more family members to seek employment outside the village has also made it difficult for many affected families to keep livestock. The remaining members could not pay attention to the livestock which now requires going for long distances for grazing. The loss of incomes from livestock has not been compensated by the government or SEZ authorities.

**Table 6: Loss of livestock**

Livestock type	Number owned	Before SEZ		After SEZ	
		Respondents	%	Respondents	%
<b>Cows</b>	0	127	34	294	79
	1 to 5	191	52	70	19
	6 to 10	31	8	5	1.35
	11 to 25	17	5	0	0
	26 – 50	2	0.54	1	0.27
	51 – 75	1	0.27	0	0
	76 – 100	1	0.27	0	0
		0	143	38.65	260
<b>Oxen</b>	1 to 5	202	54.59	107	28.92
	6 to 10	24	6.49	2	0.54
	11 to 25	1	0.27	1	0.27
		0	298	80.54	343
<b>Goats</b>	1 to 5	38	10.27	21	5.68
	6 to 10	9	2.43	3	0.81
	11 to 25	12	3.24	2	0.54
	26 – 50	9	2.43	1	0.27
	51 – 75	3	0.81	0	0
	76 – 100	1	0.27	0	0
		0	303	81.89	347
<b>Sheep</b>	1 to 5	37	10	5	1.35
	6 to 10	9	2.43	7	1.89
	11 to 25	4	1.08	1	0.27
	26 - 50	5	1.35	3	0.81
	51 - 75	3	0.81	1	0.27
	76 - 100	3	0.81	2	0.54
	101 - 200	6	1.62	4	1.08

## Loss of trees

Villagers had a variety of trees in the lands that were occupied by the SEZ. Trees provided incomes and food or fruit for the owners, as well as for landless households. Besides, trees are essential for fodder and organic manure. Trees also provide construction materials for housing and have a role in the ritual and belief system of the villagers where for different festivals and *pujas* specific fruits and leaves are offered. Trees also provide ingredients for medicinal preparations. Every tree has multiple functions and they are important part of rural life.

More than half the respondents (56%) who lost land have also lost trees of significance. A total of 1585 trees were lost by respondents. The loss of trees among the respondents varied by their caste. Scheduled Caste and Backward Caste respondents were the major losers. They constitute 35% and 32% respectively of those who lost trees. Upper Caste respondents lost none (Table 7). Scheduled Castes are adversely affected as the tree wealth was a significant support base for them, given their low level of cash savings and land ownership.

**Table 7: Respondents who lost trees by caste and species of trees lost**

Caste of respondents	Respondents who lost trees (%)	Number of respondents who lost trees							
		Custard apple	Neem	Mango	Eucalyptus	Thumma	Tamarind	Other trees	All trees
Scheduled Caste	35	2	12	1	0	6	4	16	41
Scheduled Tribe	21	1	5	1	1	5	2	9	24
Muslim	12	0	4	2	0	3	1	4	14
Backward Caste	32	0	9	3	0	4	3	19	38
Upper Caste	0	0	0	0	0	0	0	0	0
<b>Total</b>	100	3	30	7	1	18	10	48	117

## Obsolescence of farm implements

Farm implements have lost value for the respondents who have lost the land. They were often sold for a pittance as there were no takers in the affected area which had so many land losers. They had to abandon some farm implements like ploughs, land levelers and sowing implements. Only some items regularly sold in shops had some re-sale value. There was a particularly drastic decline in the number of respondents owning bullock carts, from 77 to only 9, which was largely due to the difficulties in keeping oxen. Respondents described distressed sales of the carts: "Why keep the oxen when everything is lost with the lands grabbed by the SEZ?" asked a respondent. "Sold it off for whatever the buyer was willing to offer" remarked another named Venkatayya.

Polepally was already experiencing the beginnings of farm mechanization at the time of the SEZ land acquisition, and had several respondents with significant investments in farm implements. Very expensive machinery which operates on motors was exclusively found among the rich farmers who are generally non-dalits and non-tribals. Not much has changed for these households. There was thus no change in the number of tractors (11) and other high-tech pieces of equipment as they belong to households that did not suffer much from loss of land. Even so, these households used to rent out the equipment to other farmers and that income has been adversely affected.

## **Impact on local employment**

Land acquisition has resulted in the disruption of the livelihoods of affected households, lasting several years. Unemployment was a direct result of loss of land, and also of the absence of wage labour in neighbours' farms. Between 2004 and 2007 there was great uncertainty and regular protests. There was very little non-farm activity in the village. Increased unemployment was also due to The large scale conversion of farmland into non-farmland also reduced the scope for work in common lands such as the collection of fruits and fodder for domestic as well as commercial ends. Households engaged in offering services (barbers, washer men, artisans, *molla*, etc.) as part of the *Jajmani* system lost employment with the decline in the economic status of the farmers who were their patrons.

Construction work within the SEZ became a major source of labour locally, but only during the early phase of construction. SEZ managers discriminated against those who took part in the resistance and protest agitation and preferred outside labour who are not concerned with the problems of displacement. Some women from Polepally and Gundlagadda Thanda get daily wage work as as gardeners, sweepers or as janitors.

Long periods of unemployment in some cases led to severe poverty, high indebtedness and the sale of all available assets. Unemployment and poverty has been most intense among those who continued to stick to land-based livelihoods.

Although little effort was made in Polepally to offer alternative employment to affected families, some relief has been provided by the National Rural Employment Guarantee Act (NREGA) which was passed in 2005. The NREGA is a national job guarantee scheme that aims to provide the rural poor with a minimum of 100 days employment when none other is available. NREGA work is eagerly sought in the villages, but unfortunately the programme is unable to keep up with the demand for work in the village following the land acquisition. Less than 3% of respondents received NREGA employment of more than 100 days. 26% received 31 to 100 days of employment and 15% of respondents were employed for less than 30 days. Half of the respondents have an NREGA card and are entitled to claim employment if they need it, though only 42% availed of any work during last year.

## Box 2: The case of Chandi

Chandi, a 65 year old, very active, wise, brave woman, has two sons and many grand children. She is the only women who contested the state assembly elections. She was a proud farmer in the village and in her community. The entire community was shocked when they heard about the proposal for land grabbing. They did not know anything about the companies as none of them were literate. After the announcement of the land acquisition, they tried to protect their lands, staying and cooking in their fields. But the government came with police and dispersed them. Initially, they all protested. Chandi participated in every meeting and used to bring all their community people. They were afraid for their future as they did not know any other work and had rarely stepped outside of their village, particularly for work purposes.

"Some politicians tried to divide us from rest of the villagers but we all stood. We were offered money and material gains by the middlemen and politicians but we always fought for our land only. Land is our life, symbol of pride, basis of self confidence, and gives identity in the community. We women felt comfortable working our own fields, and our children and spouses respected us. But now, the situation is different..."

"Political parties came to our protest, some of them said they supported us... We also went to human rights commission, but none of them responded to our woes. We fought and fought, but finally, we had no option but to work for these companies and to receive their alms for our survival... But that too has stopped as they do not take us now. As long as labouring work was required they needed us. They selected some of us who had lands in the SEZ, but after the construction work, they asked us to stop. They were very angry whenever we organised ourselves, attended meetings and *dharnas*. Some times they used to abuse us."

"SEZs occupied not only lands but our lives.. Our culture has changed, relationships were damaged totally, men and women became more alcoholic, many men died suddenly, women became widows. We women have lost our regular jobs, became daily coolies in our own lands. Some of us... are asking ourselves, with a small amount of food grains, whom to feed, ourselves or our children."

As the helplessness is growing, some of them are selling arrack, the country liquor, which is illegal.

"Many times excise people attack. The men from the company had a deal with us that if we co-operate with them, we can sell our liquor to the other coolies who are working for the company. Our children and women are still working in SEZs as casual labourers, earning one hundred rupees a day. It is very difficult to run the house with this money. Its becoming hard to live in this village as we do not find any work nearby. Not only in the SEZ area but in all the surrounding areas land is brought by middle men for a very cheap rate. They cut the trees and made house plots. Now

they are selling on for a huge price.”

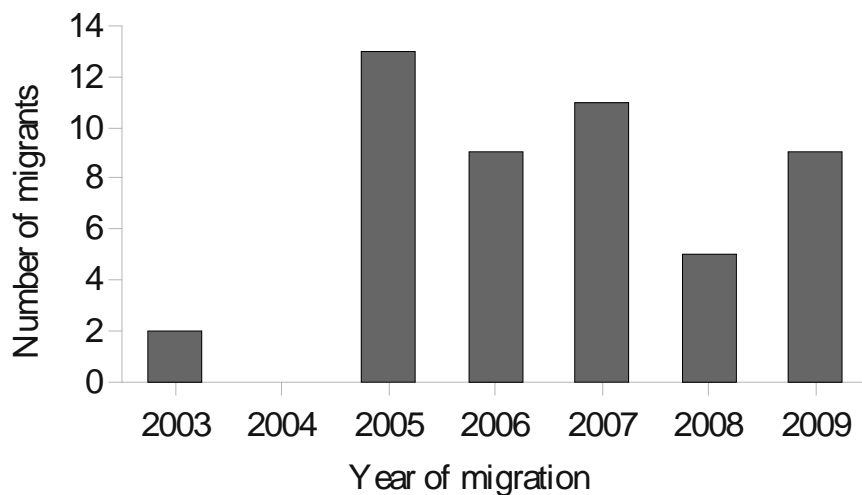
“Are these governments here to save poor or rich”, she laments... “We are tired of fighting against the injustice done to us. Do not know how many times we appealed to officials, made requests to political parties, joined with other local organisations. After a long fight we could get some amount as compensation, but that all went to our debts only.”

## Migration

Loss of livelihoods within the village and growing interaction with labour contractors as well as information and assistance from the colleagues who have migrated outside has been leading to more people seeking labour outside. Altogether 51 villagers belonging to the respondents' families have migrated out of the village. Migration has been largely due to the loss of livelihoods caused by displacement due to SEZ. The rate of migration was very low between 1992 and 2004 (4 individuals in total, 2 in 1992 and 2 in 2003). It then jumped to 13 individuals in 2005, with a yearly average of 8.5 in 2006-2009.

More than two thirds (71%) of the migrants have stayed within the state. Hyderabad remains the single largest destination, accounting for 67% of migrants from the affected villages. Four out of five migrants (86%) work as construction labourers, masons and railway track gangmen. The rest work as semi-skilled employees in shops and establishments.

**Figure 2: Frequency of migration from Polepally among respondent families**



## Child labour

Some households facing a severe fall in incomes and long periods of unemployment had their children dropping out of school. A significant number of respondents observed that children are affected by the domestic problems, especially unemployment and poverty. Asked what their major concerns were with regard to children in the current situation, 14% of respondents mentioned that children are required to do wage work, while 15% raised the issue of children being required to migrate.

## Food security

Household food security has been altered drastically among the affected households in Polepally and Gundlagadda Thanda. Dependence on food grains procured from market has increased significantly. They are compelled to buy most of their food needs from the market which requires cash incomes which are not available adequately to most of the respondents. Acute short-term shortages are a particular problem.

Respondents were asked, according to a number of measures, how their food security now compared to how it was before the SEZ. The results are summarised in Table 8. They clearly depict a situation of worsening household food security, with 85% of 370 respondents (i.e. including those who did not own land) reporting that the ability of farm produce to meet family needs had declined, and 89% reporting a general worsening of food availability after the SEZ. An increase in the problem of short-term shortages was reported by 79%, while 89% said that the purchase of food grains from private shops and Public Distribution System (PDS) ration stores had increased, and 77% reported an increase in the practice of borrowing grains from neighbours.

**Table 8: Changes in household food security in the affected villages**

Food security indicator	Respondents' assessment (%)			
	Declined	Increased	No change	No response
Household farm produce meeting family's food needs	85	1	8	6
Availability of food compared to pre-SEZ years	89	1	8	2
Short-term food scarcities	8	79	10	3
Procurement of food grains from PDS/shops	1	89	7	3
Borrowing food grains from neighbours	3	77	16	4

A particular area of concern has become the quality and quantity of food available to women and children who are often the most hard hit by household food insecurity. In



particular, 38% of respondents expressed the concern that children do not receive sufficient food at the present time.

## Environmental impacts

Pollution has become a new problem in these villages. Drinking water through hand pumps has become non-potable in all the habitations. While households in Gundlagadda Thanda are hard hit by the pollution, some households in Polepally and Mudireddipally are now forced to consume mineral water supplied by some traders from Jadcherla. Water pollution has also apparently led to the deaths of a number of livestock and is widely attributed to the construction of the SEZ.

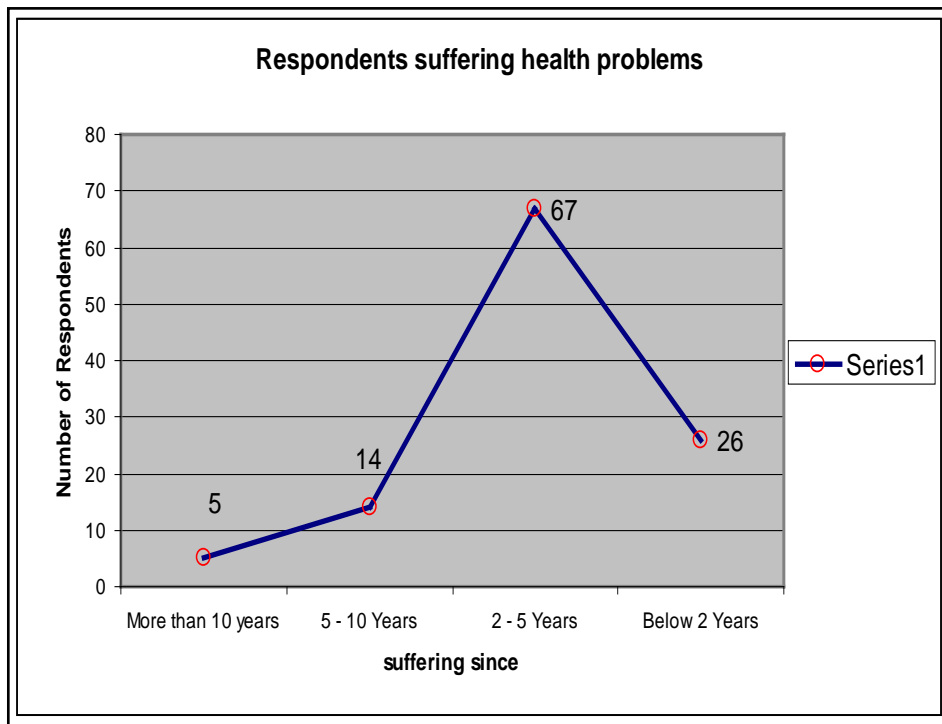
## Impact on health

Inhabitants of the affected villages have been subjected to pressures of emotional disturbance and impoverishment which has had a severe impact on their health. Besides morbidity, in the years following land acquisition for the SEZ, there was both a high incidence of mortality, including suicides, and an increased incidence in reported chronic and acute illness.

### **Illness**

One third of the respondents (30%) reported of at least one member of their family suffering recurring illness or serious ailment in the past years. Respondents were asked whether ailments had first appeared in the last two years (2009 – 2010), 2 to 5 years ago (2005 – 2008), 5 to 10 years ago (2000 – 2004), or before 2000. The results are illustrated in Figure 3.

**Figure 3: First appearance of health problems among respondents**



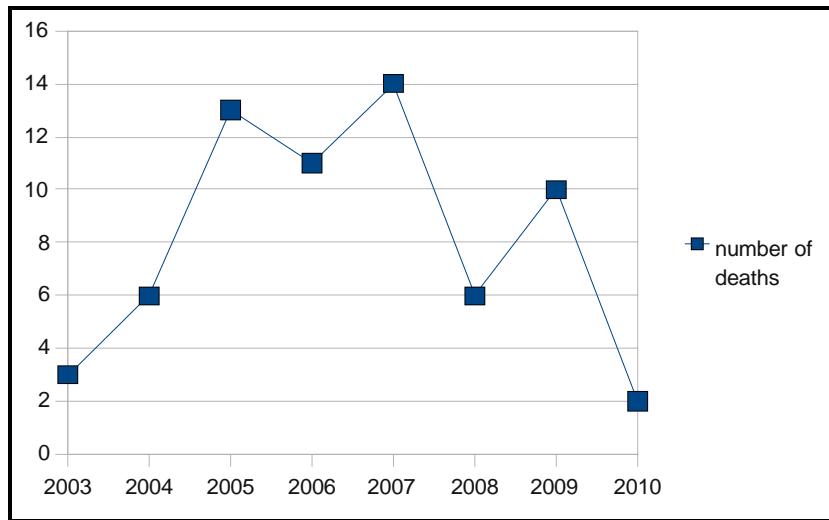
It can be seen from Figure 3 that there was a sharp rise in the reported appearance of illnesses that coincides with the period 2005 to 2008 immediately following the main wave of evictions. 60% of reported illnesses appeared during this time. The incidence of health problems appears to have declined more recently, though it is still high in comparison with reported levels before the SEZ.

A large number of the reported illnesses are “mild” chronic disorders such as migraines, sleeplessness, chest and body pains, that may be psychosomatic and stress-related. Others are more severe. All of the reported illnesses can be a major drain on the affected families because they drain a portion of scarce earnings into health care while also reducing their ability to work and earn a living. Some affected individuals perceive themselves to have become a burden to their family.

### **Increased mortality**

Respondents were asked to reports deaths within their household, and the year in which the death occurred. In total, 65 deaths are reported to have occurred since 2003. As can be seen in Figure 4, the frequency of deaths peaks in the period 2005 to 2007, the period immediately following the main wave of SEZ evictions.

**Figure 4: Number of deaths in respondent households**



Forty two of these 65 deaths were attributed by respondents to the shock and psychological impacts of the SEZ land acquisition. As detailed in Table 9, the proximate cause of most was reported to be a heart attack or stroke, while 6 were simply attributed to some kind of depression. There were 5 suicides.

**Table 9: Causes of death in SEZ affected villages**

Reported cause of death	Incidence	Attributed by respondents to SEZ
Suicide	5	Yes
Heart attack/ stroke	31	Yes
Depression/ sadness on losing the land	6	Yes
Cancer/ brain fever/ blindness/ fits/ stomach ache	5	No
Accident	18	No

Gundlagadda Thanda has almost become the village of widows with 27 deaths in the hamlet that has less than sixty families. Young and old male members have died in the hamlet due to loss of hope of supporting their families. Respondents blamed the deaths on the fear of being unable to feed their children, on harassment by the authorities and police, and on the loss of self respect due to pressures of money lenders for repayment of loans. The deaths in Polepally and Gundlagadda Thanda attracted the attention of the media which gave descriptions of the circumstances of some of them (see Reddy, 2008).

# Social Impacts

## Impacts on women

Women have complained of having to face strain and friction at home. Poverty, indebtedness and unemployment has forced women to undertake more work and struggle hard for making ends meet. Women in Gundlagadda Thanda, where 27 men died, now have more women-headed families. These women are under great pressures to support their families and play the new role of financial manager of the house. There is also reported to be increased violence against women due to growing frustration with how affected households have been treated. 34% of respondents expressed the concern that pressures on women to ensure food needs at home are met have increased, while 43% mentioned, as a concern about the status of women, that "Disturbance and disharmony in the family" has increased.

## Breakdown of collective life

The SEZ has introduced new sources of friction into the communities and has eroded collective systems of community life. The village is suffering from more divisions due to politics played by caste representatives and politicians. While several political parties have made attempts to woo the affected villagers during the elections to Assembly and Parliament, traditional leaders have come under increased pressure from politicians to compete in pleasing the SEZ managers. Traditional respect for the community leaders has been eroded significantly as the integrity and honesty of these elders with regard to their relationship with the SEZ managers has come under suspicion. Many feel that they have been abandoned by their own people who have allegedly accepted bribes from the SEZ managers to quell the resistance from within. There has thus been a collapse of collective leadership in the affected villages with regard to the SEZ issue.

### Box 3: The case of Mogulamma

Mogulamma, around 45 years of age, has five children and belongs to the Madiga community, one of the major Dalit communities in the region. She lost her husband after the acquisition of land. He went to his field and collapsed then and died immediately. Mogulamma married at the age of 12. She was second wife of her husband who was double her age. Her parents agreed to the marriage just on seeing his 5 acres of land. She is illiterate and knows little except going to field and serving the family. The sudden demise of her husband left her alone with her children. Half of them do not go to school. Whatever small compensation they got went to her parents in law, leaving her literally deserted by every one. She and her children work as labourers. She used to come to every meeting in the village, in Hyderabad and at the district collector's office. The memories of her husband always haunted her, and until

now she does not understand what happened to their land and family, or how she is going to marry off her 3 daughters.

When she was married, there was no dearth of food grains like rice, wheat, jowar and pulses, plenty of food, fruits and money to spend and feed children. Suddenly she has lost all her status in the society. She finds it very hard to survive. Even the companies in the SEZ are not giving any work. Initially, they called for mud work, but after the construction of Aurabindo Pharma, they threw all the women of her age out. Now only young girls that are literate and some tribal woman are allowed to do this work in the SEZ. As a single woman, widowed, and Dalit with many children, she is unable even to borrow.

Now in the village, there is a clear distinction between the landed and landless, poor and rich, divided along caste lines. Before the companies came they all used to be together at least at the work place. In the village, land is big asset and gives value to a family and person as all the economic activities runs around the land one has. Now as a single woman, widowed, and Dalit with many children, she is unable even to borrow. People say, "How are you going to repay? You do not even have an inch of land." She always thinks about her children, especially her daughter's dowry. She says that now no one interested in marrying children from Polepally. They say, "What will you do without land? Is it possible for children to be given away without any land?" "All the marriage alliances were depended on land only", she says. "Without land, no one is even interested to see them."

After joining the movement, she somehow learned to speak in public, she never thought that she would learn to face all these people. The struggle for Polepally gave her tremendous strength and a voice. Despite everything, she is optimistic about life and feels that one day the land will come back to her.

# 6 Community resistance in Polepally

While the Formulations SEZ is, in many ways typical for the many SEZs that have been established throughout India, the case is notable for the level of resistance to the scheme that developed among the affected communities. The story of this resistance is not the main focus of the research presented here, yet it is necessary to summarise this history of resistance as it is important context for understanding some of the impacts of the SEZ scheme on the affected communities.

Plans for the land acquisition met with early resistance, as one author notes:

“The farmers were against the SEZ from the beginning. In 2003, they blocked the Hyderabad-Bangalore national highway in protest against land acquisition. The next year, they staged a demonstration before the state Legislative Assembly. A Polepally SEZ Vyathireka Aikya Sanghatana (Alliance against Polepally SEZ) was formed and the struggle continued” (Reddy, 2009).

Despite various forms of peaceful protest, the activists were able to do little to stop the process of evictions during the main period of land acquisition in 2004 – 2005, or to ensure that compensation and rehabilitation was better than it was. However, the protests moved to a new level in 2008 when Polepally SEZ Vyathireka Aikya Sanghatana decided to contest State Assembly elections, putting up 13 candidates. The objective was to record a protest against SEZ policy.

The contestants faced considerable harassment. Farmers who contested were denied of permission for using microphones and holding public meetings. In the most notable incident, the contestants were arrested by the police on the day that the state Chief Minister was visiting to Mahaboobnagar district for his party’s campaign. They were released in the evening. The election campaign of the thirteen attracted notable media interest.

The elections were followed by a large sit-in protest in the SEZ which attracted 140 organizations to come and visit Polepally. Representatives of the major political parties came and expressed their solidarity, as did many people’s organizations. This was followed by the South India SEZ meeting held at Chennai, at which the Polepally committee participated and met several groups who were fighting against SEZs. In similar

ways, Polepally activists continued to publicise the abuses conducted in Polepally and to highlight the failings of SEZ policy nationally.<sup>5</sup>

In April 2009, 15 villagers predominantly belonging to different Dalit and other marginalized communities contested the Lok Sabha election (for lower house of Indian Parliament) as a mark of protest against the existing political parties and their policies in relation to corporate interests and SEZs.

Resistance by the marginalised communities in Polepally has thus been significant in bringing the example of the SEZ in Polepally to state-wide, national, and even international attention. Though not without considerable cost to the individuals involved who have faced harassment and discrimination from the authorities and SEZ employers.

#### **Box 4: The case of Seenaiah**

Seenaiah is a 55 years old man belonging to the Backward Caste farming community. He has three sons. Two of them completed the 12th class and one is doing a technical course. He lost 12 acres of *patta* land. Anyone who speaks to Seenaiah can see how he is suffering from the loss of his land. The first thing he does is to show everyone his land which is still there, but no longer under his control. He explains everything he used to grow and how they lived.

He was the first man to come to the meetings, to question officials, and to keep track of everything related to their land. He was a big support to the movement against acquisition. Many people depended on him for his advice and support in the struggle. He twice contested in elections. His land is still vacant and he still feels happy to see his land and says that "If any one touches my land I am going to kill them. That is the land where my total life is invested."

For him the most traumatic moment is losing all the villagers who were his best friends. Now no one has time to meet any one. At least during the movement they all were together. In the election process they had to spend all the time campaigning, usually with other caste men and women. But now, due to the involvement of middlemen and local politicians, the entire village is divided on caste lines. If any person approaches any politician or government official personally then it becomes big news in the village. People start making conspiracy theories and targeting people. Some of his fellow caste members tried to co-opt him and to take control of the village committee, but failed.

Seenaiah got relatively good compensation but he did not invest it anywhere. Today he continues with his toddy business, which is a caste-based occupation. His elder

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<sup>5</sup> Extensive information on the ongoing civil society campaign on Polepally SEZ can be found at: <http://polepally.wordpress.com/>

son is working as security guard as they do not have any options but to accept the work. He says most of his caste-men migrated to different places already. Many of them still have small fields here and there, but they all left farming. Seenaiah recollects how they used to spend days and nights in the fields. Food was plentiful in their houses, with many fruits like mangoes, guava, and banana. Now he finds it uncomfortable to buy rice, *jowar*, pulses and vegetables outside. Every time he asks, "Why does this government need to lie and occupy our lands? If they do not have money for the poor it's fine as we never depended on them. Unfortunately instead of giving and supporting us, they are taking our land which is our culture, our dignity and our life".



# 7 Conclusions

## More displacement in the name of development

Special Economic Zones are areas specially designated for commercial and supposedly export-oriented activities, under which private companies are able to take advantage of a platter of exemptions from taxation and from national laws on such matters as workers' rights. They are seen as enclaves of quasi-foreign territory and are promoted as a way of attracting foreign direct investment and fostering the growth of export oriented, foreign-exchange earning industries. Although they facilitate mainly private and profit-seeking enterprises, they are argued to contribute to "public purpose" through the creation of jobs and, in general, through promoting economic development.

SEZs are, however, highly controversial. Criticisms range from questioning whether they make economic sense for the government and the country, through concerns about environmental impacts, to the negative impacts they have on local communities through displacement. Even within government circles there seems to be a concern that SEZs simply do not make economic sense. It has been suggested that the far-reaching tax and regulatory advantages given to companies in SEZs will simply lead to the relocation of existing production from normal "domestic" locations to tax exempt ones, leading to a huge loss of revenue to the state and loss of employment to the people that may outweigh any increase in investment and employment that would not otherwise have taken place. Indeed, SEZs distinguish themselves from predecessors such as export processing zones in that they are small, many contain only one or several production units, and can be set up anywhere and in great numbers (571 had been approved as of February 2010). In effect, the SEZ policy, as established by the SEZ Act, 2005, allows State and Federal governments to bestow a lucrative package of tax and regulatory immunities on a great range of existing private companies, on demand.

But SEZs are also subject to a broad movement of popular resistance, based particularly in the communities that their establishment directly affects. Some concerns are related to the environmental impacts, particularly as the "fast-track" approval process for SEZs has effectively allowed the by-passing of State-level requirements for environmental impact assessments. A far greater concern, however, relates to the forced acquisition of land and its effects on local communities. SEZs entail the establishment of new production units. In fact, a difficulty faced by firms can be in acquiring large enough, contiguous areas of land in preferred locations near infrastructure and urban centres, and at an attractive price. It seems that SEZs in part constitute a mechanism by which State governments can act as

an agent for companies in making suitable land available for companies through forced acquisition.

In this, SEZ policy draws on the Land Acquisition Act, 1894 and subsequent amendments. It draws on the ill-defined and contested notion of “public purpose” to justify the forced acquisition of land for use by private companies. SEZs can thus be seen as the latest in a long history of displacement in the name of development, the previous and alternative faces of which have included big dams, mining concessions, power plants and steel mills. The impact on local people has often been one of expropriation of land and natural resources, the disruption and destruction of livelihoods, and of far-reaching impacts on social relations and health. Compensation, resettlement initiatives and employment alternatives have often been woefully inadequate in comparison. The popular resistance to SEZs all over India – in Mansa district in Punjab, Jhajjar in Haryana, Kakinada in Andhra Pradesh, Nandagudi in Karnataka, Baikampady in Mangalore, Nandigram in West Bengal, Raigad in Maharashtra, to name just a few – suggests that they are following in this ignoble tradition.

## The case of Polepally

This study as provided a brief overview of the controversies surrounding SEZs at the national level, but its main contribution is to provide an in-depth view of the history and impacts of one SEZ, the “Formulations SEZ” in Polepally, Andhra Pradesh. The aim in doing so has been to go beyond the rhetoric that surrounds the issue and to examine realities on the ground in a way that can only be done through a focused case study. To this end, this report described the process of land acquisition in Polepally, including issues of consultation, consent and compensation, before setting out the results of a detailed survey on the impacts of the land acquisition on affected households. This quantitative description is supplemented by a few selected case histories of individuals affected by the acquisition, and who took part in the resistance. The case of Polepally is not un-typical. If it stands out, it is because it is one of the cases where local opposition to land acquisition has achieved wider recognition. Though no two SEZs are the same, the case of one like Polepally serves to critique any generalisations made in defence of SEZs, that disruption is minimal, compensation adequate, or that they bring net benefits of employment and new opportunities to local communities.

### **Land acquisition by forced eviction**

The land acquisition process in Polepally, Mudireddipally and Gundlagadda Thanda did not meet norms of prior, informed consent. Information provided to the communities was scarce and misleading. Those whose land was to be acquired were told that a growth centre and then a “Green Park” were coming, and were lead to believe that these constituted some kind of agricultural initiative in which they would readily find employ-

ment. The local revenue administration and local political representatives are accused of using coercive tactics, including consistent threats that compensation amounts would be reduced if the land were not transferred to the APIIC. The persistent protests by affected people on the one hand, and the use of police force and attempts to bribe and divide the community, on the other, are clear evidence that the acquisition was carried out without meaningful, informed consent.

### **Land reform in reverse**

Of 700 acres acquired in Polepally, nearly 300 acres were ceiling lands assigned to Dalits, Tribals and Backward Castes during the regime of Indira Gandhi. The State government initiated use of its power to reacquire “alienated” assigned lands under an amendment made in 2006 to the A.P Assigned Lands (Prohibition of Transfers) Act, 1977. But in this particular case none of the lands were alienated. All the assigned lands were cultivated by the beneficiary households and in fact they formed the prime source of livelihood for these poor farmers. The acquisition of these lands must thus be regarded as illegal.

### **Corruption and discrimination in the provision of compensation**

Land losers received varying rates of compensation. While those with regular title received between Rs. 50,000 and Rs. 180,000 per acre, the people who lost assigned lands were given only Rs. 18,000 per acre. The authorities are accused of deliberately preferring assigned lands as less compensation has, legally, to be paid for it, and because they thought the marginalised groups who depend on it would be less capable of effective opposition. Many of the affected people say that they never received the full amount of compensation, because of widespread corruption and pocketing of funds by officials. Promised resettlement housing is, to date, far from completion and of dubious value, while a promised Village Development Fund has not been forthcoming.

### **Economic and food security impacts**

The farming families that lost land also lost valuable assets such as wells, bore wells, cattlesheds and trees that were not accounted for in the compensation. The loss of land as also rendered assets such a bullock carts obsolete and lead to a dramatic reduction in the keeping of livestock in the affected communities. Respondents to the survey reported distressed sales of moveable assets like carts and livestock, while it became hard to buy any replacement land in the area. The direct disruption of livelihoods has been immense, not only among those who were directly dependent on the land but among those provided services in the communities. The SEZ provided some alternative employment in the form of construction labour, but at wages of Rs. 100 a day, and under often casual conditions. Management tended to discriminate against those who were involved in protests, in the end favouring only younger women. Employment was short-lived for all but a very few. Some men migrated after the land acquisition, otherwise the economic situation of many affected families remains precarious. The survey reported significant

deterioration after the land acquisition of food security indicators such as household food self-sufficiency, the occurrence of short-term food scarcities, the use of ration shops, and the borrowing of grain from neighbours.

### **Environmental, social and health impacts**

Despite the fact that the SEZ is devoted to the production of pharmaceuticals, there was no public hearing on the environmental impacts of the project and no information made available about the clearance for the project. Since construction began, water sources in Polepally have apparently become unsafe to drink and respondents reported the death of some numbers of livestock due to polluted water. These affects are attributed to the SEZ. The land acquisition has also had grave social and health impacts. Respondents report that the communities have become increasingly divided, particularly on caste lines. The lost of land has had severe social impacts on marginalised Dalit and Tribal groups, and particularly women, due to the accompanying loss of status. Chronic health problems have increased, as have rates of mortality, with 42 deaths among respondent families seen as “distress related” and attributed by them to the impact of the land acquisition, among them 5 suicides. So far no inquiries have been made into these unprecedented deaths.

## **Learning from Polepally SEZ**

The case of the Polepally SEZ contains lessons for the Indian context, and indeed for global debates on commercial pressures on land. An effect of increasing commercial pressures on land, in whatever context, is often that the state acts as an agent to facilitate the acquisition of land resources by private or state-backed enterprises. Such acquisitions are often justified in the name of economic development, and accompanied by the claim that they will benefit local communities through the creation of jobs, amenities, and so on. They may be claimed to involve only “idle” (or in the case of Polepally “alienated”) lands. It may be claimed that the land acquisition process is consensual, and compensation and rehabilitation adequate.

The case of Polepally stands as a warning against taking such claims at face value. It illustrates how an acquisition process that appears defensible on paper can go wrong in practice, particularly through corrupt and discriminatory practices at the local level. It shows how prescribed compensation for the loss of land can be woefully inadequate to the negative economic, social, environmental and health impacts that the loss of land creates.

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